

Presbyterian Church Financial Operating Manual

Presbytery of Long Island
June, 2012

PROLOGUE

This manual has been prepared by the Board of Trustees of the Presbytery of Long Island, Presbyterian Church (USA). It is provided to the churches of the Presbytery as a means of providing administrative assistance in the areas of basic financial procedures. The manual should be used to increase knowledge of good financial accounting principles within local churches. Since church and government policies are continually evolving, this manual is time sensitive and reflects tax and financial policies as of June 1, 2012. Local churches need to be aware that the *Book of Order* requires annual reviews of the financial records of local congregations. By following the recommendations made in this manual such reviews can be readily made. The Board of Trustees of the Presbytery of Long Island, by providing this manual, is not and cannot render legal, accounting, or other specific advice. Local churches are encouraged to seek assistance and advice from professional local advisors when specific issues arise.

We hope local churches, their staff and their boards will find this manual useful. This manual and other helpful tools and documents are also available on the Presbytery's website: www.presbyteryofli.org. For additional information you may also go to the Presbyterian Church (USA) website: www.pcusa.org. If you have suggestions for making it better, please telephone, write, fax or e-mail the Presbytery office.

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Chapter 1 – Introduction

A church is more than a place of worship and spiritual enrichment. It also has buildings, equipment, land, programs, members and personnel. All these require various degrees of management and record keeping. The Board of a church (Session/Trustees) has the fiduciary responsibility of governing, overseeing and verifying the operations of these various component parts. The staff of a church, both paid and volunteer, has the obligation to implement properly the policies of the board and the church membership which it represents.

The Presbyterian Church is a connectional church which means that the local governing board not only reports to the members of the church but also acts as an agent for the higher judicatories of the Presbyterian Church including the Presbytery, the Synod and the General Assembly. The Book of Order of the Presbyterian Church (USA) outlines in greater detail these relationships and responsibilities.

The purpose of this manual is to deal with the management of local church records and financial information. Issues regarding Personnel (Human Resources), Investments, Education, Programs, Charitable Services are outside the scope of this manual and are addressed in other publications.

The Three Categories

The management of records for a church can be separated into basically three categories: Contributions & Income, Accounting, and Records. Though separated into categories they are all interrelated and interdependent. The failure to keep good membership records can lead to a failure in the amount of contributions received. Likewise poor accounting practices may lead to the underreporting of a member's contributions which can lead to a distrust of the church's organization and operations. The following chapter will detail in greater depth the procedures and reporting purposes of these three categories.

Chapter 2 -Contributions & Income

Safeguarding the Church's money is as much a part of stewardship as is cultivating a personal spirit of gratitude and generosity. Paul writes in II Corinthians 8:19-21: "And we are sending the brother who was chosen by the churches to accompany us as we carry the offering... We want to avoid any criticism of the way we administer this liberal gift. For we are taking pains to do what is right, not only in the eyes of the Lord, but also in the eyes of man."

It is very important for the Session and Pastor to establish a strong system of internal control for handling cash. The responsibility for overall stewardship of each church resides with the Session. Though some of the below policies may be beyond the capabilities of some smaller parishes, it is advisable that every effort be made to follow the intent of these recommended policies.

A. Collections, Counting and Deposits

1. Collected offerings should always be handled by two unrelated people.
2. Those who handle church funds regularly should be bonded. (normally through the insurance agent handling the church's insurance policies.)
3. Receipts and disbursements should be handled separately and assigned to different people.
4. Church funds should not be taken to anyone's home.
5. Financial reports should be audited annually, and detailed monthly reports should be kept and reviewed.
6. Follow the entire trail of the collection, observe when it might be at risk and determine what changes might increase security without disrupting the worship service.
7. Immediately after the collection is taken, have at least two alert, able-bodied people take the collection quickly and discreetly to a secure office or safe and lock it up.
8. Rotate the counting teams, and establish a policy that they count the money in a locked area immediately after worship. Document the offering on a standardized form, signed by each counter. Give copies to the financial secretary and others who need them.
9. For security reasons, when possible, direct that two people take the collection to be deposited. Have them use different doors to exit the church and alternate routes to the bank each week. Keep the bank bag concealed.
10. Train everyone who handles the collection to follow the procedures outlined in your security and safety plan.
11. Review the plan on a regular basis.

B. Recording and Acknowledging Contributions

1. All receipts must be recorded on the church's books in a timely manner, preferably daily, but at least weekly, to ensure the accuracy of interim and year-end financial data. A record of each individual/family members' contribution must be kept. Other donations from groups, agencies, individuals should be likewise recorded. All back up materials including contribution envelopes, letters of donations, etc., must be kept for sufficient time to allow for auditing of accounts and correction of records. These receipts must be reconciled with the church's monthly bank statements.
2. Statements should be prepared on a regular basis for contributors. Quarterly is recommended but at least on an annual basis. Statements should include the following confirmation request: "This statement is for your records. Please examine it carefully. If it does not agree with your records, please communicate directly to the Church Treasurer/Secretary/Pastor/Other designated individual." An annual statement needs to be mailed to all contributors for IRS purposes. Substantiation letters for contributions of \$250 or more should be generated within 30 days of receiving the contribution with a copy retained for the church's records. IRS regulations recommend that the church's federal identification number be included with all acknowledgement letters along with the following or similar statement "No goods or services were received in consideration of this gift."
3. Care should be taken to properly identify, separate and record contributions according to wishes of the contributor. Funds for special projects of the national church or other agencies should be transmitted to them in a timely manner. Funds for particular local church projects (such as organ fund, building fund, deacons fund, camp fund etc.) should be properly identified and disbursed only for those projects, unless there is an agreement from the donor to change the designation. When such an agreement cannot be obtained, special action by the board, and in certain instances by higher judicatories, must be made.

C. Program Income and Receipts

1. Various program income, including tuition and registration fees for the pre-school nursery, camps, field trips, educational courses, bake sales, dinners, etc. must be properly recorded, receipted and deposited.
2. The designated bookkeeper/financial secretary should prepare a deposit list that shows the name of the individual(s) paying the amount collected, the program to which the income is attributed, the date funds are collected, the method of payment (cash/check/money order) including identification numbers and any other pertinent information including period of time for tuition or telephone number of individual making payment in case of a NSF check.
3. Such funds should be deposited in a timely manner, daily if possible, but at least within one week of receipt.

Chapter 3 - Accounting

In order to insure the veracity of financials, as well as the financial health of any organization certain internal controls and recordkeeping procedures are necessary. Control systems put in place should properly and efficiently deal with the receipt of monies, the management of these resources, and the disbursement of funds for needed services and goods. These systems also will provide the documentation necessary in times of audit by governmental agencies, public and private funding sources, media investigators and various public oversight groups.

Such controls should provide assurance that:

- Cash (including checks and electronic transfers) that is received, was in fact received and recorded promptly and accurately;
- Cash disbursements have been made for authorized purposes only, and have been properly recorded.
- Cash is accurately stated and appropriately safeguarded.

These controls need to be reviewed by the governing board, included in the by-laws or rules and regulations, and tested to determine that all monies received and expended are properly recorded, deposited, authorized, and released. Minutes of governing board meetings as well as officer's meetings must be recorded to show the above review and agreement thereto, as well as, consequent changes to these controls. These controls need to provide:

- A procedure for approving expenditures;
- Purpose for said purchases and expenditures that are clearly within the guidelines and goals of the ambulance company.
- Required signatures on checks;
- Procedures and documentation required for distribution of said checks;
- Designation of depositories and the officers responsible for handling cash;
- Requirements for the bonding of individuals who have access to cash and other assets;
- Any other information relating to these monies.

Though governmental and church statutes are silent concerning the exact type and way records should be maintained, it is recommended that:

- Cash receipts records should be maintained to identify the date, amount and source of each amount received.
- Cash disbursements records should identify the date, check number, payee and amount of taken for specific designated accounts. Any disbursement should be properly authorized according to the procedures agreed to by the governing board. All disbursements should require an initiating signature on a purchase order plus a signature verifying services or goods were received. Disbursements above a certain amount (\$2500 recommended but to be determined by the board) need to be individually approved by the board and so noted in the minutes. The signature or signatures on the check should not be one of those initiating a request or be one of those verifying services or goods were received.

- Checks written for amounts of \$1000 or over require two signatures. Check written for amounts below \$1000 may be written with one signature (Board may decide that two signatures are needed on all checks).
- Personnel being paid for services should either be issued payroll checks or miscellaneous income checks with W-2s or 1099s issued at year end.
- Personnel being reimbursed for purchases of supplies and goods should include authorization information/signatures and be made only upon appropriate proof of such purchase (an itemized receipt). Reimbursement should be in a timely manner, suggested on a monthly basis.
- Unsigned and non-issued checks should be safely secured, kept and issued in numerical order, and only made available to those authorized to issue and sign such checks.
- Supporting records, such as vouchers (claims), invoices, cancelled checks, duplicate deposit slips and bank statements should be safely secured and also be available and maintained on file in order for audit and referral purposes.
- A separate bank account(s) for benevolent funds may be kept. A separate bookkeeping ledger system should be kept for such benevolent funds so as to easily maintain separation from operations funds.
- Separate accounting for major church sponsored activities including pre-schools, schools, camps, building funds, etc should be kept. Such accounts must be recorded in/linked to the master accounting program of the church. Separate bank accounts for these activities may be kept, but only when the size of the activity so warrants.
- Such separately maintained records will facilitate annual reviews, reports and budgeting.
- Such records need to be reconciled monthly with the appropriate bank account(s). That such reconciliations occur need to be verified on an annual basis.
- Acknowledgement letters be sent to all donors over \$250 in accordance with IRS regulations.
- The governing Board should review the adequacy of the insurance coverage annually and document in the minutes.

Chapter 4 - Records

A. Membership

1. Individual membership
2. Baptized children
3. Non active members
4. Necrology (deceased members)

These records are the responsibility of the Clerk of Session, though they may be kept by a church office staff or other member. In January of each year a report on membership must be filed electronically with the General Assembly Office in Louisville. Assistance with this may be obtained from the Stated Clerk of the Presbytery of Long Island.

B. Recorded Events

1. Baptisms
2. Confirmations
3. Weddings
4. Funerals
5. Ordinations
6. Dedications (Buildings/organs/windows, etc.).

C. Leadership

1. Clergy – Dates & years of service
2. Elders – Ruling (Ordination date, installation dates and years of service)
3. Deacons (Ordination date, installation dates and years of service)
4. Others

D. Buildings, Land and Equipment

Though churches are mostly exempt from Property and Income taxes and are therefore not required to depreciate assets, it is most appropriate to record the item and value at time of purchase/acquisition on the books of the church. In the case of copying equipment it may also be helpful to set up an amortization account so as to be able to purchase new equipment upon the retirement of the old or to renew the lease for said equipment. For insurance purposes it is also necessary to keep records regarding the value/replacement value of said buildings and equipment.

E. Licenses, Permits, Certificates, Warrantees, Deeds, and Building & Site Plans

Chapter 5 - Budgeting

An annual budget should be drawn up for presentation to the annual meeting of the congregation and approved by the Session of the Church. Part of the annual budget is the annual terms of call of the pastor. The Committee of Ministry of the Presbytery provides the guidelines appropriate for the terms of call.

The Session with the assistance of the Stewardship/Finance Committee needs to determine the projected income (both contributions and program income) for the coming year. Projected expenditure should be provided by the various committees of the Session, as well as other program activities of the church.

Budgeting for the Pre-School Nursery and any camp programs should be undertaken six months before the beginning of the appropriate fiscal year of operation. School/camp attendance for the coming year should be properly forecast. Any increase above 5 per cent needs to be justified in the notes accompanying the budget. Total increases in salaries should be in the current inflation range or also justified in the notes accompanying the budget. The budget should be firstly approved by the leadership/council/committee of the activity and then according to the policies of the Session (board) be given to them for approval.

Chapter 6 - Payroll Policies and Procedures

NOTE: *Churches both large and small, are experiencing difficulty with the federal and state tax authorities because they do not understand that major changes have occurred in the past few years regarding their potential tax liability and their reporting responsibilities. The days of “we’re too small” and “the dollars aren’t large enough to matter” are now gone. Tiny organizations are being penalized for failure to report their quarterly payroll obligations even though it might be only a few dollars. The minimum penalty is \$50.00 per failure, plus interest.*

Gone also are the days when the part-time custodian made too little, or worked too infrequently, to take out tax withholding or Social Security. Even if there is no employee there is still the reporting responsibility for payments made to independent persons, such as lawyer, accountant, painter, roofer, or plumber.

The treasurer is the officer of the church who is responsible for compiling and certifying the accuracy of the data to the federal, state and local tax offices. Compliance with church payroll policies, IRS and state regulations is required.

Purpose: To provide policies and procedures relative to payroll matters including employee classifications, pay periods, and record keeping. The proper recording and maintenance of payroll records is essential not only in determining the costs of church/school/camp operations, but also for Federal and State reporting purposes. The Internal Revenue Service (IRS) and local taxing authorities require employers to maintain records of the compensation paid to each employee performing services for the church/school/camp. They also require various payroll reports to be prepared and submitted according to specific filing schedules. Compensation is usually the largest single expense of a church/school/camp. For all these reasons, church/schools/camps must exercise extreme care in all matter relating to payroll processing and accounting.

A. Employee Classifications for Tax Reporting Purposes

It is particularly important for the church/school/camp to correctly determine the employee classifications for workers because different payroll withhold and reporting requirements exist for different types of workers, namely, employees and/or independent contractors. The IRS defines an employee as **“anyone who performs services subject to the will and controls of the employer both as to what shall be done and how it shall be done”** and receives remuneration for such services.

The employer-employee relationship is determined not by job title, work assignment, or the intent or desires of the worker or employer, but critical factors. Although none of the factors is considered to be controlling in employment determinations, the IRS has tended to classify a rather broad range of workers as employees, rather than independent contractors. Churches/Schools/Camps should carefully consider the twenty (20) factors before determining a worker’s employment status, keeping in mind that it is seldom wrong to classify a worker as an employee. Employers may request a status determination by filing Form SS-8, Determination of Employee Work Status for Purposes

of Federal Employment Taxes and Income Tax Withholding. Churches/Schools/Camps that need additional information should contact their accountant, the Presbytery Office or the IRS. An individual's employment status remains the same even if the individual is performing more than one job in the church/school/camp. All compensation paid by church/school/camp to an employee should be reported on that person's Form W-2 and the proper and appropriate taxes withheld.

It is important to note that employee classifications for tax reporting purposes is not necessarily determinative of an employee's eligibility for benefits including health, pension, disability and unemployment. Care should be taken to review an employee's status in relation to any benefit plan separate from an analysis for tax reporting purposes.

1. Clergy

Clergy are considered dual status employees: For Federal Income Tax purposes, clergy are employees and receive a W-2. Their wages are reported on Form W-2 and they are subject to State, Local and Federal income taxes. For Social Security purpose, clergy are self-employed. They are subject to and pay self-employment tax, which is handled on the Clergy's Federal Income tax return. Clergy are considered as professionals and are exempt employees for the purposes of overtime.

2. Lay Employees

Lay Employees are fully subject to Federal, State and Local Income tax withholdings on their earnings. The church must also withhold Social Security and Medicare taxes and pay the employer's matching share. At the beginning of the calendar year one should consult Circular E, issued by the IRS each January, for the proper withholding rates. If a Payroll Service is used, that service will automatically adjust the payroll checks, but the church should know the adjusted numbers for the purpose of budgeting. The church/school/camp should establish a formal system to record the work of all employees. This recording system may take the form of timecards, payroll sheets, or a time book. At a minimum, the record should show the number of hours worked each pay period, compensatory time earned and used, holiday hours, vacation and sick leave earned and used, and other miscellaneous types of hours used per the program(s) employing the employee.

All employees earning less than \$455 per week (\$23,660 per year) must be paid overtime when they work more than forty (40) hours in one workweek (Holiday, vacation, sick and comp time hours do not count as hours worked in determining overtime hours.)

3. Independent Contractors

Churches/Schools/Camps may sometimes enlist the services of workers who are not employees and who are not working as part of an organized business enterprise. These workers are called Independent Contractors. The church/school/camp should require the vendor to complete IRS Form W-9 in order to obtain the required tax identification information. A Form 1099-MISC should be

issued at years end to any non-corporate independent contract to whom it pays \$600 or more in one calendar year. (Note: All legal fees paid even if to a corporation or if below \$600 must be reported on Form 1099-MISC.) No taxes should be withheld from payments to independent contractors, and the church/school/camp should not pay Social Security or Medicare taxes or other benefits for them.

The IRS takes a hard line when differentiating between an employee and an independent contractor. The IRS continues to declare this an area of special interest and attention. The difference between paying an independent contractor and paying an employee is that the employee has tax withholdings on his/her paycheck while an independent contractor is responsible for the payment of their taxes. If the IRS deems a vendor to be an employee when the church/school/camp is treating the vendor as an independent contractor, the IRS can assess the church/school/camp the taxes that would have been withheld, plus penalties and interest. The IRS considers a few critical factors:

- **Right to Control** – Does the employer have the right to control the work and the details of how the services are performed?
- **Right to Discharge** – Does the employer have the right to discharge the vendor?
- **Furnishing Tools** – Does the employer furnish the tools to perform the job?
- **Furnishing Place to Work** – Does the employer furnish the place to perform the job?

Of all the mentioned above, control is the key. If the employer has the right to control the details and means by which the service is performed, then the individual is probably an employee. If the employer only has the right to control the final result, then the individual is probably an independent contractor. Extreme care in should be taken in satisfying any worker as an independent contractor. Churches/schools/camps should immediately terminate the relationship with any independent contractor who makes his or her services contingent upon NOT having compensation reported to the IRS. There is no option – by law, all payments of \$600 or more in one calendar year to one individual must be reported to the IRS and to the individual.

B. Pay Period, Payday and Hours of work

Each program/area of employment will determine the hours of work. There should be one unified pay period for all employees and a standard payday following the close of the pay period.

C. Timesheets

All non-exempt employees will be responsible for preparing and signing a Time Sheet. A Time sheet will be maintained for each employee for each pay period. The time sheet should be used to record hours worked, paid time off and holidays. At the end of the pay

period, the employee should sign the time sheet. If an employee is absent the day that Time Sheets are due (i.e. illness, injury, etc.) the employee's supervisor should complete and submit the Time Sheet and notify the person responsible for payroll of any corrections upon the employee's return.

D. Payroll Deductions

By law, the church/school/camp is required to deduct, where applicable, Federal and State withholding taxes, Social Security taxes and garnishments. Voluntary deductions may include, group health and life insurance premiums, 401k and 403b deductions, excess federal and state withholding, etc.

E. Pay Adjustments

If an employee discovers an error in their paycheck, they should review the matter with the person responsible for payroll processing so that correction, if necessary, can be made. Changes to an employee's wage withholding (Form W-4) filing should be submitted along with their Time Sheet for the period that the change is to become effective.

F. Advances

Advance payment of earned wages should not be allowed. Employee advances for travel may be made upon approval of the Board/Administrator. Such advances must be documented on a Check Requisition Form and receipts and other appropriate documentation provided immediately upon return from the trip. Any unused advance must be returned to the church/school/camp at that time. If an employee does not document advances, the total advance must be added to the employee's Form W-2 at year-end and reported as taxable income to the employee.

G. Garnishments

By law, churches/schools/camps are required to honor legal garnishments of employees' wages. The employee will be notified of any garnishment received by the church/school/camp.

H. Lost Paychecks

Direct deposit for all employees should be strongly encouraged so that lost paychecks are not an issue. Employees should report checks lost to the person(s) responsible for payroll immediately so that stop-payment order may be initiated. The person responsible for payroll and/or the appropriate administrator will determine when a replacement check can be issued.

I. Final Paychecks/Separation Pay

New York employers are required by statute to immediately pay discharged (dismissed, terminated or resigned) employees their accrued earnings or to pay them in the next pay period. When an employee voluntarily quits (resigns), New York statutes require that the employer pay accrued earnings on the next regular payday. In either of these situations, the employer has the right to reduce the employee's final paycheck by any lawful charges or indebtedness owed by the employee to the church/school/camp. The supervisor terminating the employee should carefully review the employee manual and the personnel file to determine all funds owed to the employee. The failure to comply with these statutory requirements, without a good faith legal justification for non-compliance, may make the church liable for one and one-half times the unpaid compensation due to the employee plus the employee's legal fees.

J. Unemployment Compensation

New York State requires that workers be provided Unemployment Compensation Benefits. Churches are provided special treatment in that they can be self-insured for appropriate staff (reimbursement basis) or they participate directly by paying the unemployment tax during the processing of payroll and remitted to the State Unemployment Insurance Department (tax basis). For churches with schools and camps or other activities that involve multiple staff it is advised to use the tax basis plan and pay unemployment insurance on a regular basis.

K. Workers' Compensation

Workers' Compensation should be provided for all employees. The employer pays for the insurance which is usually through the State Worker's Compensation Fund, though private plans may be available. In case of an injury it is important to follow the proper reporting process including the completion of appropriate forms. Claims must be reported within 48 hours of an injury. It is important to obtain proper physicians comments and signatures.

L. Taxable Wages

All compensation paid to lay employees must be reported to the IRS and State taxing authorities and taxes must be withheld. Compensation includes gifts of cash or cash equivalents regardless of the amount, overtime pay, and pay for additional services performed for the same employer. All compensation should be paid for by check to ensure earnings are properly recorded in the accounting records and properly reported to the State and Federal authorities and the appropriate amounts withheld.

Federal and State taxing authorities consider bonuses to be part of an employee's compensation. Accordingly, they are subject to Federal, State and FICA taxes. The same rule applies to cash gifts to employees. To make calculating taxes easier the IRS allows employers to use a flat withhold rate of 28% for bonuses, whether the person is single or married, no matter how many exemptions he or she claims. State taxes should be withheld at the appropriate State rate. The tax rates change from year to year, Churches/Schools/Camps should consult the current Circular E for appropriate rates, if

you prefer. In that case, substitute the employee's State and Federal withholding rates in lieu of the flat rate.

M. Payroll Processing

Payroll should be processed and paid in a consistent, careful manner. The following guidelines should be as follows:

- No information in the payroll system, be it a manual system or an automated system, may be added, deleted, or changed unless there is proper written documentation. Payroll changes should never be made based upon verbal information.
- Authorization for payroll additions, deletions, or changes is the responsibility of the authorized member of the board or administration and should not be made by the person responsible for preparing the payroll checks.
- The person responsible for preparing payroll checks should not approve time cards, or sign the paychecks.
- Calculate payroll deductions using the employee's current Form W-4, the Federal, State, and City withholding tables. Do not modify the payroll withholdings unless the employee completes a new Form W-4. Do not discard old Form W-4s. The employee may elect to have an **additional fixed dollar amount** withheld by indicating that amount in Box 6 of Form W-4. If an employee wants to change the number of exemptions or other information on the W-4 a new Form W-4 must be filled out. Clergy may opt to withhold (Federal tax only, Federal and State taxes only, or both Federal, state and FICA taxes and record that amount in box 6) or not withhold taxes. They may use the W-4 to withhold for each pay cycle, or they may continue to file quarterly estimated tax returns. All clergy must complete a Form W-4 regardless of which option they choose.
- State Employee Withholding Allowance Forms are not necessary if the same number of allowances are claimed on the W-4. However, if the number of allowances is different than on the W-4, the state form must be filled out.
- Calculate other deductions such as health insurance premiums and tax deferred annuities (TDAs), flexible spending accounts and voluntary benefit programs.
- Prepare the payroll check. This may be prepared on site or by a payroll processing firm. Under no circumstances should an employee be paid in cash.
- Prepare payroll tax reports as necessary.
- Forward checks, along with supporting documentation, (e.g. time sheets) to the person(s) authorized to sign checks. The signer should review each check for familiarity with the name and reasonableness of the amount.
- After all checks are signed, remove and file all supporting documentation.
- Direct deposit, hand deliver or mail the payroll checks to each person. No checks should be delivered to anyone other than the employee unless written permission has been granted by that employee.
- Mail checks to financial institutions/payroll processing firms to properly cover direct deposits, payroll checks, and tax liabilities.
- Under no circumstances should a payroll check be cashed for an employee by using Petty Cash accounts or Offertory collection monies.

N. Payroll Taxes

Churches/Schools/Camps must exercise extreme caution when preparing and remitting payroll taxes. The Federal government is very serious about employers meeting, reporting, and remitting deadlines. Failure to report and/or remit payroll taxes could result in expensive liability to the church/school/camp and to the preparer personally. Payroll taxes to be withheld from an employee's check are Federal, FICA (Social Security) Medicare, State and City (where applicable) taxes. Be sure to calculate the withholdings based upon the employee's most current Form W-4, and not on verbal request or directions.

1. **Federal Payroll Tax and FICA Withholding** – At the beginning of each year, the IRS will issue a new tax-withholding booklet called Circular E, Employer's Tax Guide (Publication 15). This guide provides specific details about the withholding amounts, remittance dates, and remittance transmittals. Additionally the guide will specify the FICA rate, the Medicare rate, and wage base for the FICA tax. Forms to be filed regularly are W-2s (Employee Wage and Tax Statement), W-3s (Transmittal of Wage and Tax Statements), 941s (Employer's Quarterly Federal Tax Return), 940s (Federal Unemployment Insurance form if you are not exempt from filing), 1099s (Miscellaneous Income Statement), and 1096s (Annual Summary and Transmittal of U.S. Information Returns i.e. 1099s). Additional information is available on the IRS website www.irs.gov.
2. **State Payroll Tax** – Information regarding state and city payroll taxes are available for New York State in NYS Publication – NYS-50 – NYS Guide to Withholding Tax and Wage Reporting. Additional information is available on their website www.nystax.gov. Forms to be filled are: NYS-45 Quarterly Combined Withholding, Wage Reporting and Unemployment Insurance Return, NYS-45-ATT (attachment to report individual employee information if you have more than 5 employees)
3. **MTA Payroll Tax** - See www.nystax.gov. Forms to be filed, if required, are MTA-5 and MTA-6.
4. **Tax Deposits** – Tax deposits are made at appropriate financial institutions in accordance with IRS Rules and regulations. Payments must be timely. State tax deposits can be either mailed or paid via the internet.
5. **Other Withholding** – Tax Deferred Annuities, health care premiums, etc. should be paid directly to the proper institution directly after the payroll is processed.

O. Personnel Forms

In addition to the above forms the employer must have the following forms completed by the employees/contractors and retained (permanently) in the personnel files.

- I-9 Employment Eligibility Verification (for employees)
- W-9 Request for Taxpayer Identification Number and Certification (contract staff)

Chapter 7 - Sample Forms

	COUNTER'S TALLY SHEET			
	Checks	Currency	Coin	TOTAL
Loose Plate Offering	_____	_____	_____	_____
Special-fund Offerings	_____	_____	_____	_____
Church School Offering	_____	_____	_____	_____
Miscellaneous Receipts	_____	_____	_____	_____

Weekly Collection Tabulation Sheet

Date: _____

9:00 a.m. Service

11:00 a.m. Service

Envelopes with Names & Cash:

Envelopes with Names & Checks:

Loose Cash: _____

Loose Checks: _____

Sunday School: _____

TOTAL Cash: _____

Checks: _____

TOTAL DEPOSIT: _____

Cash Disbursements Summary

Month/Year _____

Church _____ Page _____

Check Numbers: _____ to _____

Account
No.

Total

Account
No.

Total

[illegible]

Chapter 8 - Chart of Accounts and Definitions

Code #	Account Title	Code #	Account Title	Code #	Account Title
ASSETS					
120	Petty cash	372	One Great Hour of Sharing		tion Fund
121	Checking Account	373	Peace with Justice Sunday	445	District Administration Fund
122	Savings Account	374	Native American Ministries		
123	Investments		Sunday		
125	Receivables	375	World Communion		CONNECTIONAL CLERGY SUPPORT
150	Equipment	376	U.M. Student Day	461	Pension CRSP/CPF
151	Vehicles	391	Other Sources and Projects	462	Pension: Paid to Conference
152	Parsonage		TOTAL RECEIPTS CAPITAL AND OTHER	463	District Superintendents' Fund
154	Church		SPECIAL PROJECTS	464	Episcopal Fund
155	Land			465	Equitable Compensation Fund
LIABILITIES AND FUNDS					
LIABILITIES					
211	Payables		RECEIPTS FROM DISTRICT(S), ANNUAL CONFER-		LOCAL CHURCH CLERGY SUPPORT
212	Social Security Tax		ENCE(S), JURISDICTIONAL CONFERENCE(S), GEN-	501	Base Compensation: Pastor
	Withholding		ERAL CHURCH AND/OR OTHER INSTITUTIONAL	502	Base Compensation: Associate
213	Federal Income Tax		SOURCES OUTSIDE THE LOCAL CHURCH	503	Housing & Utilities: Pastor
	Withholding	381	Equitable Compensation Funds	504	Housing & Utilities: Associate
214	State Income Tax Withholding		Received by Church or Pastor	507	Accountable Reimbursements:
215	Local Income Tax Withholding	385	Advance Special or Appor-		Pastor
216	Group Insurance Withholding		tioned Funds Received by	508	Accountable Reimbursements:
217	Other Withholding		Church		Associate
218	Employee/Pastor Withholding		TOTAL DISTRICT(S), ANNUAL CONFERENCE(S),	509	Other Cash Allowances: Pastor
	Reserves/Pension Withholding		JURISDICTIONAL CONFERENCE(S), GENERAL	510	Other Cash Allowances:
219	Medicare Tax Withholding		CHURCH AND/OR OTHER INSTITUTIONAL		Associate
220	Notes Payable		SOURCES OUTSIDE THE LOCAL CHURCH RECEIPTS	511	Base Compensation: Deacon(s)
221	Long-Term Debt			512	Housing & Utilities: Deacon(s)
FUNDS					
250	Designated Benevolences		EXPENSES		
251-289	Designated & Special Funds		BENEVOLENCES		
290	General Fund	401	World Service	514	Other Cash Allowances:
		402	Conference Benevolences		Deacon(s)
		403	Ministerial Education Fund		
		404	Black College Fund		LOCAL CHURCH EXPENSES
		405	Africa University Fund	521	Diaconal Minister/Deacon Salaries
		406	General Advance Specials	522	Diaconal Minister/Deacon Fringe
		407	World Service Special Gifts		Benefits/Expenses
		408	Youth Service Fund	523	Other Staff Salaries
		409	Human Relations Day	524	Other Staff Fringe
		410	One Great Hour of Sharing		Benefits/Expenses
		411	Peace With Justice Sunday	525	Nurture & Membership
		412	Native American Ministries Sun-	526	Church & Society
			day	527	Church Education
		413	World Communion	528	Evangelism
		414	U.M. Student Day	529	Missions
		415	Christian Education Sunday	530	Stewardship
		416	Golden Cross Sunday	532	Worship
		417	Rural Life Sunday	533-538	Program Expenses
		418	Disability Awareness Sunday	539	Other Program Expenses
		419	Conference Advance Specials	540	Finance Committee
		420	Other Conference Appeals	541	Office Expense
		421	Higher Education	542	Repairs & Maintenance
		422	Health & Welfare Agencies	543	Insurance
		423	Other Benevolences Sent to Con-	544	Church Utilities
			ference	545-548	Operating Expenses
		424	Other Benevolences Paid Direct	549	Other Operating Expense
				550	Interest Paid on Debt
				551	Capital Improvements
RECEIPTS FOR ANNUAL OPERATING BUDGET & BENEVOLENCE GIVING SOURCES					
321	Received Through Pledges		CONNECTIONAL		
325	Received from Non-pledging,		ADMINISTRATION FUNDS		
	yet Identified Givers	441	Interdenominational Cooperation		
331	Received from Unidentified		Funds		
	Givers	442	General Administration Fund		
335	Received from Interest and	443	Jurisdictional Administration		
	Dividends		Fund		
341	Received from Sale of Church	444	Area & Conference Administra-		
	Assets				
345	Received through Building				
	Use Fees, Contributions,				
	Rentals				
351	Received through Fundraisers				
	and Other Sources				
TOTAL ANNUAL OPERATING BUDGET & BENEVOLENCE RECEIPTS					
RECEIPTS FOR CAPITAL AND OTHER SPECIAL PROJECTS					
361	Capital Campaigns				
365	Memorial/Endowment				
	Bequests				
371	Human Relations Day				

Chapter 9 - Directory

Presbytery of Long Island
42 Hauppauge Road
Commack, NY 11725
Tel: 631-499-7171 Fax: 631-499-7063
www.presbyteryofli.org

Internal Revenue Service
Tel: 800-829-1040
www.irs.gov

New York State Department of Taxation
W. A. Harriman Campus
Albany, NY 12227
www.nystax.gov

New York State Department of Labor
Unemployment Insurance Division
PO Box 15122
Albany, NY 12212
Tel: 800-456-1015 Fax: 518-485-7377
www.labor.state.ny.us

Intuit – QuickBooks
Tel: 877-683-3280
www.quickbooks.com

Peachtree/Sage
Tel: 877-495-9904
www.peachtree.com

Thomson Reuter/Creative Solutions
Tel: 800-968-8900
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ACS Technologies
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Florence, SC 29501
Tel: 800-736-7425
www.acstechnologies.com

Chapter 10 - Other Resources

2009-2012 United Methodist Church Financial Records Handbook - Copyright 2009 by the United Methodist Publishing House ISBN 0-667-09685-5

Tax Guide for Ministers & Church - Prepared by Richard R. Hammar, Published by The Board of Pensions of the Presbyterian Church (USA), 200 Market Street, Philadelphia, PA 19103-3298, tel: 800-773-7752

Federal Reporting Requirements for Churches - The Board of Pensions of the Presbyterian Church (USA), 200 Market Street, Philadelphia, PA 19103-3298, tel: 800-773-7732

Managing and Preserving Official Records For Congregations – Presbyterian Historical Society, 424 Lombard St, Philadelphia, PA 19147-1516, tel; 215-627-1852, www.nhhistory.pcusa.org

A Guide to Sales and Other Dispositions of Assets Pursuant to Not-for-Profit Corporation Law – New York State Office of the Attorney General – Charities Bureau – 120 Broadway, New York, NY 10271, tel: 212-416-8400, www.charitiesnys.com

Acknowledgments

The preparation of this manual was facilitated by the input of various individuals and groups as well as the use of working papers and materials from a number of churches, non-profit organizations, private firms and governmental agencies. Special thanks go to:

The Presbytery of Long Island
The United Methodist Church
The Diocese of Rockville Centre
The Office of New York State Comptroller
The Alban Institute
E&R Tax and Business Services